



Nagarjuna
Fertilizers and
Chemicals
Limited

Annual Report
1999 - 2000

Industry in
Harmony with
Nature

Board of Directors

Field Marshal Sam Manekshaw, M.C.
Chairman

J B Dadachanji

Enrico Stacul

T Gopala Rao, IAS
Government of Andhra Pradesh Nominee

R Krishnan

N C B Nath

S Padmanabhan
SBI Nominee

Paul Pothen

S R Ramakrishnan

P P Singh
KRIBHCO Nominee

R L Saha
Alternate to P P Singh

M J Subbaiah
ICICI Nominee

V Venkateswarlu
IDBI Nominee

P K Madhav
Director (Finance)

P R Menon
Director (Technical)

K S Raju
Vice Chairman & Managing Director

**Vice President (Legal)
and Secretary**
L V V Iyer

Auditors
M Bhaskara Rao & Co.
Chartered Accountants
Hyderabad - 500 082
INDIA

Share Transfer Agents
Nagarjuna Investors Services Limited
Nagarjuna Hills
Hyderabad – 500 082
INDIA

Registered Office
Nagarjuna Hills
Hyderabad – 500 082
INDIA

Factory
Kakinada – 533 003
East Godavari Dist.
Andhra Pradesh
INDIA



Notice of the Twenty Fourth Annual General Meeting

NOTICE is hereby given that the 24th Annual General Meeting of Nagarjuna Fertilizers and Chemicals Limited will be held on September 28, 2000 at 10.00 am at Hari Hara Kala Bhavan, Sardar Patel Road, Secunderabad - 500 003 to transact the following ordinary and special business.

Ordinary Business :

1. To receive, consider and adopt the 24th Annual Report of the Directors, Balance Sheet as at March 31, 2000 and the Profit and Loss Account for the financial year ended March 31, 2000 and the Report of the Auditors thereon.
2. To declare a Dividend on the equity shares for the year ended March 31, 2000.
3. To appoint a Director in the place of Dr. NCB Nath, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Dr. Enrico Stacul, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Shri P P Singh who retires by rotation and is eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution proposed as a Special Resolution.

"RESOLVED THAT the retiring Auditors of the Company, M/s. M Bhaskara Rao & Co., Chartered Accountants, Hyderabad being eligible for re-appointment be and are hereby appointed as Auditors of the Company to hold Office from the conclusion of the 24th Annual General Meeting till the conclusion of the next Annual General Meeting on such terms and conditions as may be fixed by the Board of Directors of the Company."

By Order of the Board

Hyderabad
July 14, 2000

M Ramakanth
Asst. Company Secretary

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. Instrument of proxies in order to be effective must be deposited at the Company's registered office at

Nagarjuna Hills, Hyderabad – 500 082 not less than forty eight hours before the meeting.

3. The Register of Members and Share Transfer Books will remain closed from September 18, 2000 to September 28, 2000 (both days inclusive).
4. The Dividend for the year ended March 31, 2000 as recommended by the Board and approved by the shareholders at the Meeting shall be payable, on or before November 9, 2000 to those members whose names appear on the Company's Register of members on September 28, 2000.
5. In order to provide protection against fraudulent encashment of Dividend Warrants, Members are requested to provide their Bank Account Number, Name and Address of the Bank / Branch to enable the Company to incorporate the same in the Dividend Warrants.
6. Members are requested to inform immediately the change, if any, of address registered with the Company.
7. Members desiring to seek any information on the Annual Accounts are requested to write to the Company at an early date to enable compilation of information.
8. The Company has transferred unpaid or unclaimed dividend for the year 1994-95 to the General Revenue Account of the Central Government.
Pursuant to the provisions of the amended Section 205 C of the Companies (Amendment) Act, 1999, the Company shall transfer the unpaid dividend / unclaimed dividend at the appropriate time.
9. The Securities Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for Institutional Investors by 26th June, 2000 and for other investors from 28th August, 2000.

Shareholders may also avail of the facility of trading in the demat form and may contact our Transfer Agent in this regard.

10. All communication relating to shares are to be addressed to the Company's Transfer Agents, Nagarjuna Investors Services Limited, Nagarjuna Hills, Hyderabad – 500 082.

By Order of the Board

Hyderabad
July 14, 2000

M Ramakanth
Asst. Company Secretary

NFCL

Report of the Directors

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts of your Company for the year ended 31st March, 2000.

Financial Results

	Rs. in Crores	
	1999 - 2000 Current Year	1998-1999 Previous Year
Turnover	1,435.96	1,214.54
Gross Profit (after interest)	266.47	275.88
Depreciation	118.35	115.28
Net Profit before Taxation	148.12	160.60
Provision for Tax	34.82	16.86
Net Profit after Tax	113.50	143.74
Profit for the Previous Year brought forward	237.92	257.25
Transferred to Debenture Redemption Reserve	36.00	36.00
Dividend	37.86*	69.43
Provision for tax on dividend	4.16*	7.64
Transferred to General Reserve	25.00	50.00
Profit carried to Balance Sheet	248.40	237.92

★ Proposed

Dividend

The Board of Directors of your Company after due deliberation have decided to recommend a reduced dividend of Re. 1/- per share (previous year Rs. 2/- per share) on the enhanced share capital of your Company, in view of large outstandings of subsidy to be received from the Government, pile up of fertilizer stocks due to restricted allocation for your Company's urea under the Essential Commodities Act 1955 and also due to the necessity to conserve resources to meet the investment requirement for the Refinery Project.

Plant Operations

During the year your Company manufactured 12.97 lakhs metric tonnes of urea as against 12.13 lakhs metric tonnes of the previous year. The Plants have been working satisfactorily during the year.

The Government of India in the context of a reduced supply-demand gap for urea in the country, made lower allocation under the Essential Commodities Act, 1955 for supply of your Company's urea, resulting in a pile up of urea stock at your Company's Plants.

The Government of India has constituted a Committee under the Chairmanship of Dr Y K Alagh to look into the overall aspect of reassessment of capacity of units manufacturing urea and to suggest a cut-off date for the purpose of recovery based on an appropriate method of reassessment. Meanwhile, pending the recommendations of Dr Y K Alagh Committee, Government of India has resorted to interim reassessment of capacity of your Company's Plants, with effect from April 1, 2000. Your Company has made representations to the Government of India to withdraw the interim reassessment of capacity and the consequent

reduction in Retention Price. It is hoped that the Government of India would come out with a suitable policy on Urea pricing removing the uncertainties in the administration of the present policy.

During the year, your Company received the British Safety Council's Safety Award for the year 1998 in recognition of the Company's commitment towards maintaining high safety standards in the work place. Your Company has completed over one million accident free man hours as on March 31, 2000.

Your Company also received the Merit Award in Occupational Safety from the Royal Society for the Prevention of Accidents (ROSPA) for the year 1999.

The supply of Natural Gas and Naphtha was satisfactory throughout the year.

Marketing

During the year, your Company sold 12.84 lakhs metric Tonnes of Urea as against 12.37 lakhs MTs in the previous year. The sale of pesticides registered an increase from Rs. 55.82 crores to Rs. 57.35 crores.

Your Company sold 1706 metric tonnes of speciality fertilizers during the year valued at Rs. 7.30 crores.

The Agri output division of your Company continued making efforts in assisting the farmers towards improvement in farm management practices.

The Seeds division of your Company had a turnover of Rs 16.29 crores as compared to Rs 11.17 crores during the previous year.

Environment

During the year your Company implemented ISO 14001 EMS and conducted an Environmental Audit. Your Company continues to demonstrate an unswerving commitment towards preservation and conservation of ecological balance in and around the Plants.

Equity Share Capital and Investments

The Core Promoters of your Company, converted the balance of 6,44,25,000 warrants into equity shares of Rs. 10/- each at a price of Rs. 15.71 per share during the year.

Your Company's investments in Nagarjuna Oil Corporation Limited (NOCL) as on March 31, 2000 aggregated to Rs. 365 crores.

Dematerialisation

The Securities and Exchange Board of India has notified your Company's equity shares for compulsory trading in the dematerialised form for Institutional investors by 26th June, 2000 and for all other investors from 28th August, 2000. Your Company has already entered into agreements with the Central Depository Services (India) Limited and National Securities Depository Limited to give effect to the notification. This facility shall also be available to all the shareholders of your Company.



Corporate Governance

Securities and Exchange Board of India has accepted the report on Corporate Governance.

Your Company takes pride in the fact that various recommendations made by the Committee on Corporate Governance are already being practised, by your Company.

The Board of Directors of your Company is broad based comprising independent directors who are experts from diverse fields besides nominees of Financial Institutions, Banks, State Government, Collaborators, other Co-Promoters and Executive Directors.

To facilitate a faster decision making process, the Board has constituted several sub-committees with specific terms of reference.

BPR/ ERP Implementation

During the year under review, your Company undertook a BPR/ERP implementation programme called 'PARIVARTANAM' which means 'Change'. In a highly globalised and competitive environment it is important to manage change. The results have been encouraging.

Diversification

Nagarjuna Oil Corporation Limited (NOCL) has made progress in implementing the Refinery Project. The dismantling of the Refinery at Woerth, Germany has been completed and shipment to the Project site has commenced. The Industrial Development Bank of India along with other Financial Institutions and banks have given their in-principle sanction for financial assistance. Your Company has invested Rs. 365 crores in the Refinery Project as on March 31, 2000. *The Project is expected to go on stream in 2002.*

Nagarjuna Power Corporation Limited (NPCL), is implementing the 1015 MW power plant at Mangalore. NPCL has signed the Power Purchase Agreement with the Karnataka Power Transmission Corporation Limited (KPTCL). Project development work is in progress and will gain momentum once a satisfactory arrangement for payment for power purchased is concluded with KPTCL.

Subsidiary Companies

In respect of Jaiprakash Engineering and Steel Company Limited and Nagarjuna Oil Corporation Limited, subsidiaries of your Company, a statement of the Holding Company's interest in the Subsidiary Companies is enclosed in accordance with Section 212 (2) (a) of the Companies Act, 1956.

Personnel

Your Company continues to enjoy cordial relations with employees at all levels .

Directors

In accordance with the Articles of Association of the Company, Dr. NCB Nath, Dr. Enrico Stacul and Shri P P Singh, retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Shri Jaykrishna Harivallabhdas and Shri F J Heredia, tendered their resignation from the Board of the Company for personal reasons. The Board of Directors, accepted the resignations with regret and recorded their appreciation of the services rendered by Shri Jaykrishna Harivallabhdas and Shri F J Heredia during their long tenure as Directors of the Company.

The Industrial Development Bank of India appointed Shri V Venkateswarlu as their Nominee on the Board of the Company in place of Shri A Lahiri with effect from 1st September, 1999. The Board of Directors placed on record their appreciation of the services rendered by Shri A Lahiri during his tenure as a Nominee Director on the Board of the Company.

The Government of Andhra Pradesh appointed Shri T Gopala Rao, IAS as their Nominee Director on the Board of the Company with effect from July 15, 1999 in place of Shri P C Parakh, IAS. The Board of Directors placed on record their appreciation of the services rendered by Shri P C Parakh during his tenure as a Nominee Director on the Board of the Company.

Disclosures

Disclosure in terms of Companies (Particulars of Employees) Rules, 1975 and Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption, Earnings and Outgo of Foreign Exchange are attached and forms part of this Report.

Auditors

M/s. M Bhaskara & Co., Chartered Accountants, Hyderabad, the Company's auditors retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956.

Acknowledgement

Your Directors place on record their appreciation of the continued assistance and co-operation extended to your Company by the Government of India, Government of Andhra Pradesh, Government of Karnataka, Government of Tamilnadu, Industrial Development Bank of India, other participating Financial and Investment Institutions, State Bank of India and other participating Commercial Banks, Gas Authority of India Limited, Snamprogetti SpA, Italy, Haldor Topsoe A/S, Denmark, Projects and Development of India Limited, Krishak Bharati Co-operative Limited, Tamilnadu Industrial Development Corporation, Krupp Uhde GmbH, the large family of shareholders and depositors of your Company, the dedicated employees and all others who are continuing to assist your Company.

on behalf of the Board

Hyderabad
July 14, 2000

Field Marshal Sam Manekshaw, M.C
Chairman

NFCL**FORM - A****Form for disclosure of particulars with respect to conservation of energy**

Form for disclosure of particulars with respect to consumption of energy				
Particulars	Unit	Year ended		
		31.03.2000	31.03.1999	
Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Unit	1000 KWH	1,182	2,149	
Total Amount	Rs. Lakhs	203.86	208.04	
Rate/KWH	Rs.	10.83	9.66	
b) Own Generation				
Through Gas Turbine Units	1000 KWH	190,006	181,729	
KWH per SM ³ of gas		3.71	5.60	
Cost of gas per Unit of Power generated	Rs/KWH	0.91	0.52	
2. Fuel				
(including Ammonia - fuel, Steam & Power)				
Quantity - Natural Gas	1000 SM3	340,777	327,700	
NG LHV	Kcal/SM3	8,615	8,593	
Total Cost	Rs. Lakhs	11,515.73	9,552.50	
Rate per unit of Natural Gas	Rs./1000 SM3	3,379	2,915	
Quantity - Naphtha	MT	68,246	71,219	
Total Cost	Rs. Lakhs	7,617.10	5,357.91	
Rate per unit of Naphtha	Rs./MT	11,161	7,523	
Quantity - LSHS	MT	256	-	
Total Cost	Rs Lakhs	8.08	-	
Rate per unit of LSHS	Rs./MT	3,150	-	
3. Consumption per MT of Urea Production (including Ammonia - fuel, Steam and Power)				
Particulars	Unit	Standard	Year ended	
			31.03.2000	31.03.1999
Electricity (Incl. Internal generation)	KWH	132.80	148	152
Naphtha	Kg	-	52.60	58.73
LSHS	Kg	-	0.20	-
Natural Gas (Fuel)* at 8168 Kcal/SM ³	SM ³	297.41	277	284

* 8168 Kcal per SM³ is as per Design norms**FORM - B****Form for disclosure of particulars with respect to technology absorption****A. Research and Development (R & D)**

- Specific areas in which R & D was carried out by the Company : a) Energy Conservation b) Capacity utilisation c) Environmental Protection d) Improvement in safety and reliability of the Plant.
- Benefits derived as a result of the above R & D : Savings in Natural Gas consumption, better capacity utilisation, reduction in overall specific energy consumption of Urea and reduction in pollutant discharge.
- Future plan of action : Pursue improvements in the same areas by.
 - Retrofit of the existing Ammonia and Urea Plants.
 - Urea stripper ferrules modification and repair in Unit I. Hot heat exchanger in Ammonia II and Ammonia converter in Ammonia I inlet gland packing inspection.
 - Maximize electric driven drives.
 - Modification of scrubbing system for improving Ammonia recovery from Medium pressure off-gas with Natural Gas and to bring the off-gas composition away from the explosive range in Unit II.
- Expenditure on R & D : No separate record of the expenditure incurred on R & D is maintained.
 - Capital
 - Recurring
 - Total
 - Total R & D expenditure as a percentage of total turnover.

B. Technology absorption, adaptation and Innovation :

- Efforts, in brief, made towards technology absorption, adaptation and innovation.

In house Efforts :

- Provision for firing of a combination of Naphtha and Natural Gas to increase flexibility with respect to feed stock in Unit - II.
 - Inter connection between Unit - I and Unit - II to improve operating flexibility and improve energy efficiency.
 - Direct routing of liquid Ammonia to Urea plant without operating Ammonia Transfer Pump.
- Benefits derived as a result of the above efforts eg., product improvement, cost reduction, product development, import substitution etc.: Unit II specific energy consumption is on a downward trend.
 - In case of import technology (imported during the last five years reckoned from the beginning of the financial year), following information may be furnished : An expansion project was undertaken and Ammonia and urea Plants of identical capacity as the existing ones were installed and commissioned in March, 1998.
 - Technology imported : i) Haldor Topsoe's low energy Ammonia production technology
ii) Snamprogetti's Ammonia stripping technology for Urea production.
iii) Giammarco-Vetrocoke process for CO₂ separation in the Ammonia Plant.
 - Year of Import : 1996-97
 - Has technology been fully absorbed ? : Yes
 - If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : Not applicable.


Particulars of Foreign Exchange Earnings and Outgo [Please refer Rule 2 (C)]

A. Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services, export plans	:	Planning to increase the export activity of Agri-related products	
B. Foreign Exchange Outgo and Earnings:	:		Rs. Lakhs
1) Foreign Exchange Outgo			
◆ Technical know-how (Net of tax)			261.28
◆ Interest			337.36
◆ Dividend			
- Equity			251.58
- Preference			-
◆ Others			689.75
2) Foreign Exchange Earnings			2,972.63

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies

Sl. No.	Particulars	Name of the Subsidiary Company	
		Jalprakash Engineering and Steel Company Limited	Nagarjuna Oil Corporation Limited
1	The financial year of the subsidiary companies ended on	31 st March, 2000	31 st March, 2000
2	a) Number of shares held by Nagarjuna Fertilizers and Chemicals Limited with its nominees in the Subsidiaries at the end of the financial year of the Subsidiary Company.	61,91,993 Equity Shares of face value of Rs.10/-each fully paid-up	36,50,00,000 Equity Shares of face value of Rs.10/-each fully paid-up
	b) Extent of interest of holding Company at the end of the financial year of the subsidiary companies.	99.43%	100.00%
3	The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding Company.		
	a) Not dealt with in the holding Company's accounts		
	i) For the financial year ended 31 st March, 2000.	-	-
	ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	-	-
	b) Dealt with in the holding Company's accounts		
	i) For the financial year ended 31 st March, 2000.	-	-
	ii) For the previous financial years of the subsidiary companies since they became the holding Company's subsidiaries	-	-

For and on behalf of the Board

Hyderabad
April 26, 2000**Field Marshal Sam Manekshaw, M.C.** Chairman
K S Raju Vice Chairman & Managing Director**R Krishnan** Director
P K Madhav Director (Finance)
P R Menon Director (Technical)

NFCL**Report of the Auditors to the Members**

To
The Members of
Nagarjuna Fertilizers and Chemicals Limited

We have audited the attached Balance Sheet of Nagarjuna Fertilizers and Chemicals Limited as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on the date annexed thereto and report that :

1. As required by the manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

- d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Note 7 regarding provisioning for diminution in the value of "Investments" and Note 10 regarding the basis for accounting of credit for retention price support and other notes thereon as stated in Schedule 14 together with "Significant Accounting Policies", give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000, and
 - ii) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For **M Bhaskara Rao & Co.**
Chartered Accountants

Hyderabad
April 26, 2000

M Bhaskara Rao
Partner

Annexure to the Auditors' Report

(Statement Referred to in Paragraph 1 of our Report of even date)

- v. The discrepancies noticed on verification between the physical stocks and records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- i. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. According to the information and explanations given to us, the fixed assets have been physically verified during the year by the management in a phased programme which in our opinion is reasonable, having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- vi. In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
- ii. The fixed assets of the Company have not been revalued during the year.
- vii. The Company has not taken any loan, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As Section 370 of the Companies Act, Re: loans etc., from companies under the same management has been made inoperative, on and after 31st October, 1998 by the Companies (Amendment) Act, 1999, no comments are offered.
- iii. The stocks of finished goods, stores, spare parts, trading material and raw materials except stock in transit and lying with third party have been physically verified during the year by the management. In our opinion the frequency of the verification is reasonable.
- viii. The Company has not given any loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As section 370 of the Companies Act, Re: loans, etc. to Companies under the same management has been made inoperative, on and after 31st October, 1998 by the Companies (Amendment) Act, 1999, no comments are offered.
- iv. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- ix. In respect of loans and advances in the nature of loans, given by the Company, the parties are generally



repaying the principal and interest, where applicable, as stipulated, other than cases where Company has rescheduled the repayment in pursuance of settlements reached.

duty and excise duty which have remained outstanding as on 31st March, 2000, for a period of more than six months from the date they become payable.

- x. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for sale of goods.
- xi. In our opinion and according to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements falling under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect to any party.
- xii. As per the explanations given to us there is a procedure for determination of unserviceable or damaged stores, raw materials and finished goods. However as informed to us no such stores, raw materials and finished goods were determined during the year.
- xiii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- xiv. According to the information and explanations given to us, the Company does not generate any by-product. Reasonable records are maintained for sale and disposal of realisable scrap.
- xv. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
- xvi. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records prescribed under Section 209 (1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- xvii. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
- xviii. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs

- xix. During the course of our examination of books of account carried out in accordance with generally accepted auditing practices, we have not come across any personal expenses other than the expenses under contractual obligations and / or generally accepted business practices, which have been charged to revenue.
- xx. The Company is not a sick industrial Company within the meaning of clause (o) of the sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi. According to the information and explanations given to us, in respect of the trading activities of the Company, there were no material damaged goods.

For M Bhaskara Rao & Co.
Chartered Accountants

Hyderabad
April 26, 2000

M Bhaskara Rao
Partner